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VA HEALTH CARE

Preliminary Observations on the Purchasing and Tracking of Supplies and Medical Equipment and the Potential Impact on Veterans' Safety

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Highlights of [GAO-10-1038T](#), a testimony before the Subcommittee on Health, Committee on Veterans' Affairs, House of Representatives.

Why GAO Did This Study

VA clinicians use expendable medical supplies—disposable items that are generally used one time—and reusable medical equipment (RME), which is designed to be reused for multiple patients. VA has policies that VA medical centers (VAMC) must follow when purchasing such supplies and equipment and tracking—that is, accounting for—these items at VAMCs.

GAO was asked to evaluate VA's purchasing and tracking of expendable medical supplies and RME and their potential impact on veterans' safety. This testimony is based on GAO's ongoing work and provides preliminary observations on (1) the extent of compliance with VA's requirements for purchasing and tracking of expendable medical supplies and RME and (2) steps VA plans to take to improve its oversight of VAMCs' purchasing and tracking of expendable medical supplies and RME. GAO reviewed VA policies and selected three requirements that GAO determined to be relevant to patient safety. At each of the five VAMCs GAO visited, GAO reviewed documents used to identify issues related to the three requirements and interviewed officials to gather further information on these issues. The VAMCs GAO visited represent different surgical complexity groups, sizes of veteran populations served, and geographic regions. GAO also interviewed VA headquarters officials and obtained and reviewed documents regarding VA headquarters' oversight. GAO shared the information in this statement with VA officials.

[View GAO-10-1038T](#) or [key components](#). For more information, contact Debra A. Draper at (202) 512-7114 or draperd@gao.gov.

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VA HEALTH CARE

Preliminary Observations on the Purchasing and Tracking of Supplies and Medical Equipment and the Potential Impact on Veterans' Safety

What GAO Found

During its preliminary work at the five selected VAMCs, GAO found inconsistent compliance with the three VA purchasing and tracking requirements selected for review. Noncompliance with these requirements created potential risks to veterans' safety.

- *Requirement for VAMC committee review and approval.* At two of the VAMCs, officials stated that the required designated committee review and approval occurred for all of the expendable medical supplies and RME that the VAMCs had not previously purchased. These reviews are designed to evaluate the cost of the purchase as well as its likely impact on veterans' care. However, at the remaining three VAMCs, officials stated that the required committee review and approval of the expendable medical supplies, such as those used in conjunction with dialysis machines, did not always occur. As a result, these purchases were made without evaluating the likely impact on veterans' care.
- *Requirement for signatures of purchasing and approving officials.* At one of the VAMCs, VAMC officials discovered that a staff member in a dialysis department ordered an expendable medical supply item for use in dialysis machines, without obtaining the required signature of an approving official. That staff member ordered an incorrect item, the use of which presented a risk of exposing veterans to infectious diseases, such as Human Immunodeficiency Virus.
- *Requirement for entering information in VA's inventory management systems.* Officials from one of the five VAMCs told GAO that information about expendable medical supplies that were ordered on a recurring basis was entered into the appropriate inventory management system, as required. At the remaining four VAMCs, officials told GAO that information about certain expendable medical supplies—those used in a limited number of clinical departments such as dialysis departments—was not always entered into the system. This lack of information can pose a potential risk to veterans' safety; in the event of a recall of these items, these VAMCs may have difficulty determining whether they possess the targeted item.

VA reports that it plans to improve its oversight of VAMCs' purchasing and tracking of expendable medical supplies and RME. For example, VA headquarters officials stated that, effective October 1, 2010, VA plans to shift greater responsibility for reviews of purchase card transactions from the VAMCs to the Veterans Integrated Service Networks, which are responsible for overseeing VAMCs. VA headquarters officials also told GAO that VA is developing a new inventory management system, which it expects will help improve VA's ability to track information about expendable medical supplies and RME across VAMCs. VA expects this new system to be operational in March 2011.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today as you discuss the Department of Veterans Affairs' (VA) contracting and procurement practices. VA operates one of the largest integrated health care delivery systems in the United States, providing care to over 5.5 million veterans annually. Organized into 21 Veterans Integrated Service Networks (VISN), VA's health care system includes 153 VA medical centers (VAMC) nationwide that offer a variety of outpatient, residential, and inpatient services.¹ These services range from primary care to complex specialty care, such as cardiac and spinal cord injury care. In providing these health care services to veterans, VA clinicians at VAMCs use supplies and equipment that must be purchased by VA. These include expendable medical supplies, such as needles and scalpel blades, which are generally used once, and reusable medical equipment (RME), which is designed to be reused for multiple patients and includes such equipment as endoscopes and some surgical instruments.

VA has established policies that VAMCs are required to follow when purchasing items such as expendable medical supplies or RME and tracking—that is, accounting for—these items at their facilities.² For example, VA requires that a designated VAMC committee review and approve purchases of any expendable medical supplies or RME that the VAMC has not previously purchased. VA also requires that VAMCs enter information about certain expendable medical supplies and certain RME at their facilities into the appropriate inventory management system. VA's purchasing and tracking policies help ensure that VAMCs make effective use of available resources and that they know which supplies and equipment are being used at their facilities.

VA's purchasing and tracking policies are also designed, in part, to help ensure the safety of veterans who receive care at VAMCs. For example, VAMCs need information on the RME in use at their facilities in order to ensure that they have procedures for properly reprocessing³ these items.

¹The management of VAMCs is decentralized to the 21 VISNs.

²See, for example, VA Handbook 7176, *Supply, Processing and Distribution (SPD) Operational Requirements* (Aug. 16, 2002) and Veterans Health Administration (VHA) Handbook 1761.02, *VHA Inventory Management* (Oct. 20, 2009).

³Reprocessing refers to the steps by which RME is prepared for reuse, and includes cleaning and disinfecting or sterilizing the medical equipment.

VAMCs also need information on the supplies and equipment in use in their facilities in order to determine when they have expendable medical supplies or RME that are the subject of a manufacturer or U.S. Food and Drug Administration (FDA) recall or a patient safety alert.⁴

Congressional committees and certain members of Congress have raised questions about VAMCs' purchasing and tracking of expendable medical supplies and RME and their potential impact on veterans' safety. My testimony today consists of preliminary observations as part of our ongoing work on VA's oversight of compliance with its policies for purchasing and tracking expendable medical supplies and RME. These observations, based on site visits to five selected VAMCs, raise concerns about the safety of veterans receiving care at these facilities. We cannot determine the extent to which the purchasing and tracking problems in the five selected VAMCs reflect the broader VA health care system.

In my remarks today I will provide preliminary observations on (1) the extent of compliance with VA's requirements for purchasing and tracking of expendable medical supplies and RME and (2) steps VA headquarters plans to take to improve its oversight of VAMCs' purchasing and tracking of expendable medical supplies and RME.

To identify the extent of VAMCs' compliance with VA's requirements for purchasing and tracking of expendable medical supplies and RME, we reviewed VA policies⁵ and selected three purchasing and tracking requirements that we determined were relevant to veterans' safety issues. The requirements we selected are (1) having a designated VAMC committee review and approve purchases of any expendable medical supplies and RME that the VAMC has not previously purchased, (2) obtaining signatures of purchasing and approving officials, and (3) entering information about expendable medical supplies and RME at VAMCs into VA's inventory management systems. We selected these requirements to inform our discussions with VAMC officials about patient safety incidents related to the purchase and tracking of expendable

⁴A patient safety alert is a notification sent to VAMCs from VA's National Center for Patient Safety regarding veterans' safety.

⁵We reviewed applicable VA policies, including VA Handbook 7176, *Supply, Processing and Distribution (SPD) Operational Requirements* (Aug. 16, 2002); Department of Veterans Affairs, *VA Financial Policies and Procedures, Volume II, Chapter 6, Miscellaneous Obligations* (Jan. 2009); VHA Handbook 1761.02, *VHA Inventory Management* (Oct. 20, 2009); and VA Directive 1725.1, *Accountability* (Apr. 5, 1996).

medical supplies and RME that were identified at certain VAMCs in 2009.⁶ We judgmentally selected five VAMCs to visit: the VAMCs in Albany, New York; Cheyenne, Wyoming; Detroit, Michigan; Miami, Florida; and Palo Alto, California. These VAMCs represent different surgical complexity groups,⁷ sizes of veteran populations served, and geographic regions. At the five VAMCs, we reviewed applicable VAMC committee meeting minutes⁸ and other documentation used to identify problems related to the three purchasing and tracking requirements we selected for our review. We also interviewed VAMC officials to gather additional information on these problems. To obtain information on steps VA headquarters plans to take to improve its oversight of VAMCs' purchasing and tracking of expendable medical supplies and RME, we interviewed VA headquarters officials responsible for overseeing VAMCs' purchasing of expendable medical supplies and RME. In addition, we obtained and reviewed relevant documents regarding VA headquarters' oversight, including internal reports and policy memorandums. We shared the information provided in this statement with VA headquarters officials.

We are conducting this performance audit in accordance with generally accepted government auditing standards. We conducted the work for this statement from March 2010 to September 2010. The audit standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

VA policy specifies how VAMCs can purchase expendable medical supplies and RME. VAMCs can purchase expendable medical supplies and RME through their acquisition departments or through purchase card holders, who have been granted the authority to make such purchases.

⁶We are continuing to review VA's policies to determine whether additional requirements relate to these patient safety incidents and should be included in our ongoing work.

⁷VA assigns each VAMC a complexity score between 1 and 3 (level 1 is broken down further into 1a, 1b, and 1c), with level 1 being the most complex, using a facility complexity model. That model uses multiple variables to measure facility complexity arrayed along 4 categories, namely patient population served, clinical services offered, education and research complexity, and administrative complexity.

⁸We reviewed minutes from the following committees: commodity standards, equipment, infection control, medical executive, and reusable medical equipment.

Purchase cards are issued to certain VAMC staff, including staff from clinical departments, to acquire a range of goods and services, including those used to provide care to veterans. According to VA, as of the third quarter of 2010, there were about 27,000 purchase cards in use across VA's health care system.

VA has two inventory management systems, which VAMCs use to track the type and quantity of supplies and equipment in the facilities. Each VAMC is responsible for maintaining its own systems and for entering information about certain expendable medical supplies and certain RME in the facilities into the appropriate system. Specifically, the Generic Inventory Package (GIP) is used to track information about expendable medical supplies that are ordered on a recurring basis.⁹ The Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS) is used to track information about RME that is valued at \$5,000 or more and has a useful life of 2 years or more.¹⁰ VAMC officials told us they use information about the items in their facilities for a variety of purposes, for example, to readily determine whether they have expendable medical supplies or RME that are the subject of a manufacturer or FDA recall or a patient safety alert.

VA's purchasing and tracking policies include the following three requirements for VAMCs:

1. A designated VAMC committee must review and approve proposed purchases of any expendable medical supplies or RME that have not been previously purchased by the VAMC.¹¹ The committee, which typically includes administrative staff and clinicians from various departments, reviews the proposed purchases to evaluate the cost of the purchase as well as its likely impact on veterans' care.¹² For example, the committee that reviews and approves proposed RME

⁹GIP is used to track additional items besides expendable medical supplies, including non-medical supplies.

¹⁰AEMS/MERS is used to track additional equipment besides RME, including information technology equipment.

¹¹Generally, a VAMC's commodity standards committee reviews and approves purchases of expendable medical supplies and a VAMC's equipment committee reviews and approves purchases of RME.

¹²See VA Handbook 7176, *Supply, Processing and Distribution (SPD) Operational Requirements* (Aug. 16, 2002).

purchases often includes a representative from the department responsible for reprocessing RME, in order to determine whether the VAMC has the capability to reprocess—clean and disinfect or sterilize—the item correctly and that staff are appropriately trained to do so. Proper reprocessing of RME is important to ensure that RME is safe to use and that veterans are not exposed to infectious diseases, such as Human Immunodeficiency Virus (HIV), during treatment.

2. All approvals for purchases of expendable medical supplies or RME must be signed by two officials, the official placing the order and the official responsible for approving the purchase.¹³
3. VAMCs must enter information on all expendable medical supplies that are ordered on a recurring basis and all RME that is valued at \$5,000 or more and has a useful life of 2 years or more into the appropriate inventory management system, either GIP or AEMS/MERS.¹⁴ VA does not require information about RME that is valued at less than \$5,000 to be entered into AEMS/MERS.

GAO’s Preliminary Work Identified Examples of Inconsistent Compliance with VA’s Purchasing and Tracking Requirements at Five Selected VAMCs

At the five VAMCs we visited, our preliminary work identified examples of inconsistent compliance with the three purchasing and tracking requirements we selected for our review. In some cases, noncompliance with these requirements created potential risks to veterans’ safety. We are continuing to conduct this work.

VAMC committee review and approval.

- Officials at two of the five VAMCs we visited stated that VAMC committees reviewed and approved all of the expendable medical supplies the VAMCs purchased for the first time. However, at the remaining three VAMCs, officials told us that VAMC committees did not conduct these reviews in all cases. Officials from these three VAMCs told us that certain expendable medical supplies—for example, new specialty supplies—were purchased without VAMC committee review and approval. Specialty supplies, such as those used in conjunction with dialysis machines, are expendable medical supplies that are only used in a limited number of clinical departments.

¹³Department of Veterans Affairs, *VA Financial Policies and Procedures, Volume II, Chapter 6, Miscellaneous Obligations* (Jan. 2009).

¹⁴See VHA Handbook 1761.02, *VHA Inventory Management* (Oct. 20, 2009) and VA Directive 1725.1, *Accountability* (Apr. 5, 1996).

Without obtaining that review and approval, however, the VAMCs purchased these supplies without evaluating their cost effectiveness or likely impact on veterans' care.

- At one VAMC we visited, officials told us that clinical department staff were permitted to purchase certain RME—surgical and dental instruments—using purchase cards and that these purchases were not reviewed and approved by a committee. Therefore, the VAMC had no assurance that RME purchased by clinical department staff using purchase cards had been reviewed and approved by a committee before it was purchased for the first time. As a result, these purchases may have been made without assurance that they were cost effective and safe for use on veterans and that the VAMC had the capability and trained staff to reprocess these items correctly.

Signatures of purchasing and approving officials.

- At one of the five VAMCs we visited, VAMC officials discovered that one staff member working in a dialysis department purchased specialty supplies without obtaining the required signature of an appropriate approving official. That staff member was responsible for ordering an item for use in 17 dialysis machines that was impermeable to blood and would thus prevent blood from entering the dialysis machine. However, the staff member ordered an incorrect item, which was permeable to blood, allowing blood to pass into the machine. After the item was purchased, the incorrect item was used for 83 veterans, resulting in potential cross-contamination of these veterans' blood, which may have exposed them to infectious diseases, such as HIV, Hepatitis B, and Hepatitis C.¹⁵

Entry of information about items into VA's inventory management systems.

- At the time of our site visits, officials from one of the five VAMCs we visited told us that information about expendable medical supplies that were ordered on a recurring basis was entered into GIP, as required. In contrast, officials at the remaining four VAMCs told us that information about certain expendable supplies that were ordered on a recurring basis, such as specialty supplies, was not always entered into GIP. Since our

¹⁵As of June 2, 2010, the VAMC reported that all testing has been completed and that no veterans have acquired infectious diseases as a result of this incident. The VAMC found that one of the 83 veterans identified was dialyzed on an uncontaminated machine and therefore this veteran was not notified or tested for these infectious diseases.

visit, one of the four VAMCs has reported that it has begun to enter all expendable medical supplies that are ordered on a recurring basis, including specialty supplies, into GIP. By not following VA's policy governing GIP, VAMCs have an incomplete record of the expendable medical supplies in use at their facilities. This lack of information can pose a potential risk to veterans' safety. For example, VAMCs may have difficulty ensuring that expired supplies are removed from patient care areas. In addition, in the event of a manufacturer or FDA recall or patient safety alert related to a specialty supply, VAMCs may have difficulty determining whether they possess the targeted expendable medical supply.

- Officials at one VAMC we visited told us about an issue related to tracking RME in AEMS/MERS that contributed to a patient safety incident, even though the VAMC was not out of compliance with VA's requirement for entering information on RME into AEMS/MERS. Specifically, because VA policy does not require RME valued under \$5,000 to be entered into AEMS/MERS, an auxiliary water tube, a type of RME valued under \$5,000 that is used with a colonoscope, was not listed in AEMS/MERS.¹⁶ According to VAMC officials and the VA Office of the Inspector General, in response to a patient safety alert that was issued on the auxiliary water tube in December 2008, officials from the VAMC checked their inventory management systems and concluded—incorrectly—that the tube was not used at the facility.¹⁷ However, in March 2009, the VAMC discovered that the tube was in use and was not being reprocessed correctly, potentially exposing 2,526 veterans to infectious diseases, such as HIV, Hepatitis B, and Hepatitis C.¹⁸

In addition, officials from VA headquarters told us that when information about certain RME is entered into AEMS/MERS, it is sometimes done inconsistently. The officials explained that this is because AEMS/MERS allows users to enter different names for the same type of RME. As a

¹⁶VAMC officials stated that they also checked GIP to determine whether the auxiliary water tube was listed and determined that it was not listed in that inventory management system. According to a VA headquarters official, the auxiliary water tube is not required to be entered in GIP because it is not ordered on a recurring basis.

¹⁷See VA Office of the Inspector General, *Use and Reprocessing of Flexible Fiberoptic Endoscopes at VA Medical Facilities*, 09-01784-146 (Washington, DC: June 2009).

¹⁸As of August 17, 2010, the VAMC reported that it has successfully notified 2,523 of the 2,526 veterans of possible exposure to infectious diseases and that there were 17 new positive test results. VA reports that these results are not necessarily linked to RME issues and it is continuing its evaluation.

result, in the case of a manufacturer or FDA recall or patient safety alert related to a specific type of RME, VAMCs may have difficulty determining whether they have that specific type of RME.

VA Reports It Plans to Change Its Oversight of Purchasing and Tracking

During our preliminary work, we discussed with VA headquarters officials examples of steps VA plans to take to improve its oversight of VAMCs' purchasing and tracking of expendable medical supplies and RME. For example, VA plans to change its oversight of the use of purchase cards. Specifically, VA headquarters officials told us that designated VAMC staff are currently responsible for reviewing purchase card transactions to ensure that purchases are appropriate. However, one VA headquarters official stated that these reviews are currently conducted inconsistently, with some being more rigorous than others. VA headquarters officials stated that VA plans to shift greater responsibility for these reviews from the VAMCs to the VISNs, effective October 1, 2010. In addition, VA plans to standardize the reviews by, for example, adding a checklist for reviewers. Because this change has not yet been implemented across VA, we can not evaluate the extent to which it will address the appropriateness of purchases using purchase cards.

Our preliminary work also shows that VA plans to create a new inventory management system. VA headquarters officials told us that they are developing a new inventory management system—Strategic Asset Management (SAM)—which will replace GIP and AEMS/MERS and will include standardized names for expendable medical supplies and RME.¹⁹ According to these officials, SAM will help address inconsistencies in how information about these items is entered into the inventory management systems. VA headquarters officials stated that SAM will help improve VA's ability to monitor information about expendable medical supplies and RME across VAMCs. VA provided us with an implementation plan for SAM, which stated that this new system would be operational in March 2011. At this time, we have not done work to determine whether this date is realistic or what challenges VA will face in implementing it.

¹⁹SAM will be used to track additional items besides expendable medical supplies and RME.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or other members of the committee may have.

GAO Contacts and Staff Acknowledgments

For further information about this statement, please contact Debra A. Draper at (202) 512-7114 or draperd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony. Key contributors to this statement were Randall B. Williamson, Director; Mary Ann Curran, Assistant Director; David Barish; Alana Burke; Krister Friday; Melanie Krause; Lisa Motley; and Michael Zose.

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